

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-11 ISO-00 USIE-00 L-03 FRB-03 OMB-01

ITC-01 SP-02 AGR-05 AID-05 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 OIC-02 SIL-01 STR-04 TRSE-00 CIEP-01

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O R 150930Z MAR 76

FM USMISSION GENEVA

TO SECSTATE WASHDC IMMEDIATE 8725

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ECON ETRD UNCTAD

SUBJECT: UNCTAD - TRADE AND DEVELOPMENT BOARD: COMMODITIES

REF: (A) GENEVA 1799, (B) STATE 61195

1. SUMMARY: TREATMENT OF COMMODITIES ISSUES DURING FIRST WEEK OF TDB HAS BEEN ALMOST EXCLUSIVELY WITHIN GROUP B ITSELF. FIRST SESSION OF CONTACT GROUP COMPOSED OF GROUPS B AND D AND G-77 MET ONLY BRIEFLY LATE FRIDAY AFTERNOON FOR INITIAL ONE-HOUR DISCUSSION ON COMMODITIES. AT THIS SESSION, GROUP B SPOKESMAN (CUTTAT, SWISS) CONCENTRATED MAINLY ON ANALYZING MANILA DECLARATION AND NOTED BRIEFLY THAT GROUP B STILL WORKING ON COMMON POSITION. G-77 SPOKESMAN (CHADHA INDIA) WELCOMED DISCUSSION OF MANILA DECLARATION, BUT ADDED THAT IF GROUP B HAD PROPOSALS HE WOULD INSIST ON EARLY DISCUSSION OF THESE AS WELL, IN THE LIGHT OF LAST DECEMBER'S COMMITTEE ON COMMODITIES RESOLUTION RECOMMENDING THAT THE TDB TRANSMIT RECOMMENDATIONS ON AN INTEGRATED PROGRAM ON COMMODITIES FOR DECISION

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BY UNCTAD IV. WITHIN GROUP B, WE HAVE HAD SEVERAL

RUN-THROUGHS OF POSSIBLE GROUP B PAPER ON COMMODITIES (LATEST TEXT TRANSMITTED SEPTTEL), AND DIFFERENCES NOW CONCENTRATED ON HALF A DOZEN ISSUES REPORTED BELOW. U.S. REP HAS MADE IT CLEAR TO EC AND JAPANESE REPS THAT WE ARE INTERESTED IN ACHIEVING AN AGREED GROUP B POSITION, AND WOULD REGRET ANY INDEPENDENT ACTION BY COMMUNITY OR OTHERS TO PRESENT ITS OWN TEXT INDEPENDENTLY, AND THAT DECISION ON WHETHER TO TABLE AN AGREED GROUP B STATEMENT IS ITSELF A SEPARATE ISSUE, ON WHICH WE CAN MAKE FINAL JUDGMENT ONLY LATER IN THE WEEK. PRESENTLY US SKEPTICAL OF TABLING TEXT BECAUSE OF POSSIBILITY OF ITS UNREVEALING. WE EXPECT PRESSURES TO BUILD HERE DURING EARLY PART OF THIS WEEK FOR TABLING OF TEXT, NOT ONLY FROM G-77 SIDE BUT WITHIN GROUP B ITSELF. IN PARTICULAR, EC FACES PROSPECT OF ONE OR MORE OF ITS MEMBERS BREAKING EC RANKS IF ACTION IS NOT FORTHCOMING FROM GROUP B. WE UNDERSTAND THERE WILL BE COREPER MEETING IN BRUSSELS ON TUESDAY, MARCH 16, WHICH WILL EXAMINE LATEST GROUP B TEXT AND OPTIONS (I.E., TO TABLE OR NOT TO TABLE TEXT, IF SO WHAT TEXT). END SUMMARY.

2. SIGNIFICANT DISCUSSION OF COMMODITIES FROM US POINT OF VIEW WAS CONCENTRATED DURING LAST FEW DAYS IN SMALL WORKING PARTY OF GROUP B, WHICH REPRESENTED ALL SIGNIFICANT ELEMENTS OF FULL GROUP. USING COMMUNITY PROPOSALS AND REFERRING TO PREVIOUS GROUP B TEXT ON COMMODITIES DEVELOPED AT LAST DECEMBER'S COMMITTEE ON COMMODITIES, THIS SMALLER GROUP WORKED OUT ON AN AD REFERENDUM BASIS TO BOTH GROUP B AS A WHOLE AND TO GOVERNMENTS TEXT REPORTED SEPTTEL. FULL GROUP B WILL MEET MONDAY MORNING MARCH 15 TO EXAMINE THIS PAPER; WE HOPE RESULT WILL BE TO RECOGNIZE THAT SUBSTANTIAL PROGRESS IN DRAFTING COMMON POSITION HAS BEEN REACHED, AND THAT SMALL GROUP CONTINUE ITS EFFORTS TO ARRIVE AT COMMON TEXT.

3. THERE ARE SEVERAL MAJOR POINTS STILL AT ISSUE IN GROUP B TEXT, AND DEPARTMENT WILL NEED TO CONSIDER IN ADDITION CAREFULLY DRAFTED INITIAL PART LIMITED OFFICIAL USE

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OF SECTION ON FOLLOW-UP PROCEDURES WHICH NOW HAS NO BRACKETS BUT REPRESENTS FAIRLY DELICATE BUT WE THINK ACCEPTABLE BALANCE OF INTERESTS OF GROUP WITHOUT SACRIFICING U.S. POSITION OF INSISTING THAT COMMODITY GROUPS EITHER EXISTING OR TO BE ESTABLISHED MUST FIRST MAKE JUDGMENTS ON WHETHER PROBLEMS EXIST BEFORE RECOMMENDATIONS ARE MADE, AND WHICH ALSO STOP SHORT OF ACTUAL NEGOTIATION. WE BELIEVE ISSUE OF ROLE OF

EXISTING COMMODITY GROUPS ADEQUATELY PROTECTED.

4. ONE MAJOR AREA OF DISAGREEMENT CONCERNS STRAIGHT-FORWARD ISSUE OF USE OF THE WORD QUOTE INTEGRATED UNQUOTE TO DESCRIBE GROUP B POSITION ON COMMODITIES. WE HAVE ARGUED HERE THAT WORD IS INAPPROPRIATE IN ITS ACTUAL MEANING TO DESCRIBE PROGRAM AND THAT IN ANY CASE ITS USE WOULD HAVE A POLITICAL SIGNIFICANCE FAR BEYOND ITS ACTUAL MEANING. IN LIGHT OF THIS, WE HAVE INSISTED THAT IF THERE IS MOVEMENT TOWARD ACCEPTANCE OF THE WORD - AND WE HAVE STRESSED THAT WE ARE NOT CONVINCED THERE SHOULD BE - IT SHOULD TAKE PLACE AT UNCTAD-IV AND NOT AT THE TDB. PROPONENTS HAVE STRESSED UNIMPORTANCE IN TERMS OF ACTUAL GROUP B COMMITMENTS ON SUBSTANCE OF WHAT TERM IS USED TO DESCRIBE PROGRAM AS SET FORTH, THE ADVANTAGE OF ITS USE AS A SIGN OF FLEXIBILITY TO G-77 AT THIS STAGE, AND THE RELATIVELY HARMLESS CONTEXT IN WHICH IT IS USED, I.E., "INTEGRATED APPROACH" RATHER THAN PROGRAM.

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INFO OCT-01 ISO-00 IO-11 AF-06 ARA-06 EA-07 EUR-12 NEA-10

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5. SECOND MAJOR AREA OF DISAGREEMENT CONCERNS FINAL SECTION OF FOLLOW-UP PROCEDURES, WHICH DEALS WITH

FUTURE INSTITUTIONAL COORDINATING ARRANGEMENTS FOR COMMODITIES. US HAS PROPOSED TO LEAVE THIS QUESTION ENTIRELY OPEN, WHILE COMMUNITY HAS BUILT A DEFINITIVE SOLUTION INTO TEXT, I.E., QUOTE TO CONSTITUTE THE COMMITTEE ON COMMODITIES AS A COORDINATING COMMITTEE UNQUOTE. COMMUNITY, LED MAINLY BY FRENCH ON THIS ISSUE, ARGUES THAT SOME ARRANGEMENTS WILL BE NECESSARY, THAT WE SHOULD USE EXISTING BODIES, AND THAT UNCTAD'S COMMITTEE ON COMMODITIES IS ONLY LOGICAL INSTITUTION. FURTHER, THEY BELIEVE SOME DEFINITE RESPONSE IS NEEDED TO INTEGRATED PROGRAM'S CALL FOR BRAND-NEW AD HOC NEGOTIATING CONFERENCES. THERE IS MUCH TO BE SAID FOR THIS POSITION, AS WELL AS FOR COUNTER-ARGUMENTS, WHICH GENERALLY STRESS HEAVY BIAS OF COMMITTEE ON COMMODITIES TOWARD FORMAL COMMODITY AGREEMENTS AND BUFFER STOCKS AND LIKELIHOOD THAT CC "COORDINATION" WILL LEAD TO ENDLESS PROPOSALS WITHIN EACH COMMODITY GROUP MEETING FOR PROPOSALS ALONG THESE LINES. WE BELIEVE THIS INSTITUTIONAL ISSUE NEEDS MUCH MORE LIMITED OFFICIAL USE

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STUDY BEFORE US TAKES A DEFINITIVE POSITION, AND THAT IN ANY CASE WE SHOULD NOT ATTEMPT TO SETTLE IT AT THE TDB. JAPANESE HAVE TOLD US THEIR POSITION IS SIMILAR, BUT WITH A STRONG BIAS AGAINST A PREEMINENT ROLE FOR THE COMMITTEE ON COMMODITIES. (IN FACT, WE WERE APPROACHED PRIVATELY BY JAPANESE HERE, WHO TOLD US ONE COMMUNITY REP HAD SUGGESTED THAT THERE MIGHT BE A TRADE-OFF BETWEEN THE JAPANESE AND THE COMMUNITY ON THIS ISSUE - WHERE THE EC WOULD WITHDRAW ITS INSISTENCE ON THE CC, AND THE JAPANESE WOULD AGREE TO ACCEPT USE OF THE WORD "INTEGRATED," THUS ISOLATING THE US ON THIS LATTER ISSUE.)

6. THIRD MAJOR AREA OF DISAGREEMENT IN GROUP B POSITION CONCERNS A SERIES OF AMENDMENTS OFFERED BY SCANDINAVIANS EXPANDING USE OF THE WORDS "OVERALL INTEGRATED APPROACH" FROM ONE TO THREE POSITIONS IN THE PAPER, ADDING LANGUAGE REFERRING TO COMMON FINANCING, AND RECOMMENDING THE CONVENING OF NEGOTIATING CONFERENCES. WE BELIEVE THAT IF OVERALL AGREEMENT IS REACHED BETWEEN US-EC-JAPAN-CANADA AND AUSTRALIA, WE CAN PROBABLY DROP MOST OF THESE ADDITIONS, BUT WE MAY IN THE END POSSIBLY LOSE SCANDINAVIAN SUPPORT OF GROUP B PAPER.

7. FOURTH AREA OF DISAGREEMENT (MAINLY BETWEEN COMMUNITY AND U.S., BUT WITH JAPAN GENERALLY SUPPORTING US) CONCERNS ISSUE OF COMPENSATORY FINANCING. COMMUNITY ORIGINALLY PROPOSED LANGUAGE UNDER OBJECTIVES WHICH

REFERRED TO STABILITY OF EXPORT EARNINGS EXCLUSIVELY
IN COMMODITY TERMS. WE HAVE RESISTED THIS, AND IN
THE END BOTH WE AND EC AGREED TO RECOMMEND TO GOVERN-
MENTS LANGUAGE WHICH READS QUOTE INCREASING THE
STABILITY OF THEIR OVERALL EXPORT EARNINGS, IN
PARTICULAR FROM RAW MATERIALS UNQUOTE WHICH WE HOPE
DOES THE JOB. SUBJECT IS STILL OUTSTANDING IN LAST
SECTION ON PROCEDURES AND TIMETABLE, HOWEVER, WHERE
COMMUNITY PROPOSES THAT COMMITTEE ON COMMODITIES QUOTE
EVALUATE IMPROVEMENTS MADE IN THE IMF
COMPENSATORY FINANCING FACILITY IN THE LIGHT OF THE
RESULTS ACHIEVED UNQUOTE. US HAD ALTERNATIVELY
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PROPOSED EVALUATION OF GENERAL SUBJECT OF COMPENSATORY
FINANCING WITH ONLY INDIRECT REFERENCE TO IMF, WHILE
WE AND JAPANESE PREFER NO MENTION OF IMF, EC WOULD
REGARD THIS AS COMPLETE SELLOUT TO SWEDISH DESIRE FOR
NEW CF PROGRAM OUTSIDE IMF. WE HAVE BEEN DISCUSSING
THIS SUBJECT WITH INDIVIDUAL COMMUNITY REPS HERE,
PARTICULARLY GERMANS, SOME OF WHOSE FINANCIAL OFFICIALS
WERE NOT AWARE OF THIS LANGUAGE.

8. CHIEF REMAINING OUTSTANDING ISSUE INVOLVES
OBJECTIVE OF MARKET AND SUPPLY ACCESS, IN WHICH WE
NOT DIRECTLY INVOLVED, BUT HAVE AN INTEREST IN SEEING
INCLUDED IN GROUP B POSITION ON COMMODITIES. WHEN
CANADIAN, AUSTRALIAN AND EC REPS ATTEMPTED TO HAVE THIS
ISSUE REMOVED ENTIRELY FROM LIST OF OBJECTIVES, WE
OBJECTED AND PROPOSED COMPROMISE LANGUAGE. AT THAT
POINT EC AND AUSTRALIA REINTRODUCED THEIR OWN VERSIONS
AND WE THUS HAVE THREE SEPARATE VERSIONS IN TEXT.

9. REGARDING ISSUE OF ACTUALLY TABLING OF GROUP
B TEXT, US REP SOUGHT OUT BOTH EC AND JAPANESE REPS HERE
PRIVATELY MARCH 13 AND CONVEYED TO THEM US VIEWS DESCRIBED
REFTEL (B). RUSSELL (EC COMMISSION) IN SMALL WORKING GROUP
MEETING SAME DAY WAS MORE CAUTIOUS THEN PREVIOUSLY ABOUT
NEED FOR TABLING, SAYING THAT THIS WAS AN ISSUE WHICH
WOULD HAVE TO BE DECIDED AFTER TEXT WAS AGREED WHEN
WE WOULD HAVE TO CONSIDER ALTERNATIVES OF ORAL
PRESENTATION BY CUTTAT ON BEHALF OF GROUP B, USING
TEXT AS A BASIS FOR HIS STATEMENT, OR ALTERNATIVELY,
ACTUALLY TABLING TEXT. DALE

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